



Armour Energy Limited

27 May 2014

New Technical Data Further Derisks the Extensive Shale Play in ATP1087, Queensland

Highlights:

- **World class Total Organic Carbon (TOC) content in Lawn and Riversleigh Shales.**
- **Gas analysis from Egilabria-2 well shows high methane and very low CO₂.**
- **Helium recorded up to 6% in isotube gas sample.**
- **Confirmed gas desorption from Lawn and Riversleigh shale cuttings (volume unmeasured).**

The Directors of Armour Energy Limited (ASX: AJQ, Armour) are pleased to provide the following technical update on the Company's Queensland tenement ATP1087.

Armour drilled 2 wells in Queensland during 2013 in the eastern part of ATP1087 (Figure 1, 3). Egilabria-2 is the first lateral well in Australia to flow gas from a hydraulically stimulated shale formation. Subsequently, Egilabria-4 was drilled and discovered the gas charged Riversleigh Shale below the Lawn Shale. From both wells extensive technical data was collected which has been analysed over the past months.

Armour is currently assessing both the additional conventional and Riversleigh plays based on these recent lab analyses, and further seismic remapping (see Figure 3). The MBA report of 2012 gave a mean prospective resource of 22.5 TCF for the Lawn Shale Formation.

Total Organic Content

The conclusions of detailed source rock analysis (SRA) has been consistent with Armour's view that the Lawn and Riversleigh Formations within the Isa Superbasin of Northern Australia have amongst the highest Total Organic Carbon (TOC) content of any shale play in Australia.

Total Organic Carbon (TOC) is one of the key measures for a shale formation to be economically viable as it provides a measure for the capacity of the rock to generate hydrocarbons. A typical minimum TOC required for a shale is 2%. Worldclass TOCs, such as seen in the commercial Marcellus Shale in the USA, are in excess of 5%.

As can be seen in Figure 2 below, both the Lawn and Riversleigh shale formations show sweet spots well in excess of these numbers with TOCs recorded up to 11%. Armour is very encouraged by these results.

Egilabria 2 Lateral – Gas Analysis Shows High Methane Content and Helium

Gas samples taken from the separator during the flow back of Egilabria-2 lateral have now been fully analysed and show a very high methane content (90%), ethane (0.5%) and very little CO₂ (2%), helium (1%) and other inert gases (6.5%). This low CO₂ content is considered very positive as it alleviates any requirements for major gas processing facilities during the development phase, including CO₂ sequestration facilities. Additionally from a different sampling method, several isotubes of gas taken while drilling contained up to 6% helium. [Gas content percentages are in mole %]

Confirmed Gas Desorption from Lawn and Riversleigh Shale Cuttings

During air drilling operations at Egilabria 2 and Egilabria 4, several pressure sealed canisters were filled with Lawn and Riversleigh cuttings as an exercise to understand if the shales would desorb gas. After several days, the canisters were reported to have a range of pressure values as high as 100psi. The cannistered gas samples were taken from the high TOC intervals in the Lawn and Riversleigh shales.

Gas samples were drawn off the Egilabria 4 canisters for compositional analysis. Average nitrogen and oxygen corrected measurements (a lab technique that attempts to remove atmospheric contamination from the sample values) contained 83% methane which is similar to the 90% methane gas sample recovered from the separator that was purged of atmospheric contamination prior to post-stimulation gas sampling.

During sidewall coring operations at Egilabria 4, three sidewall cores were canistered and gas samples from those underwent isotopic analysis. The results of which strongly suggests the gas is thermogenic in origin. This provides evidence that the gas is derived through burial and heating of the original organic material that is now the rich TOC found in these shales.

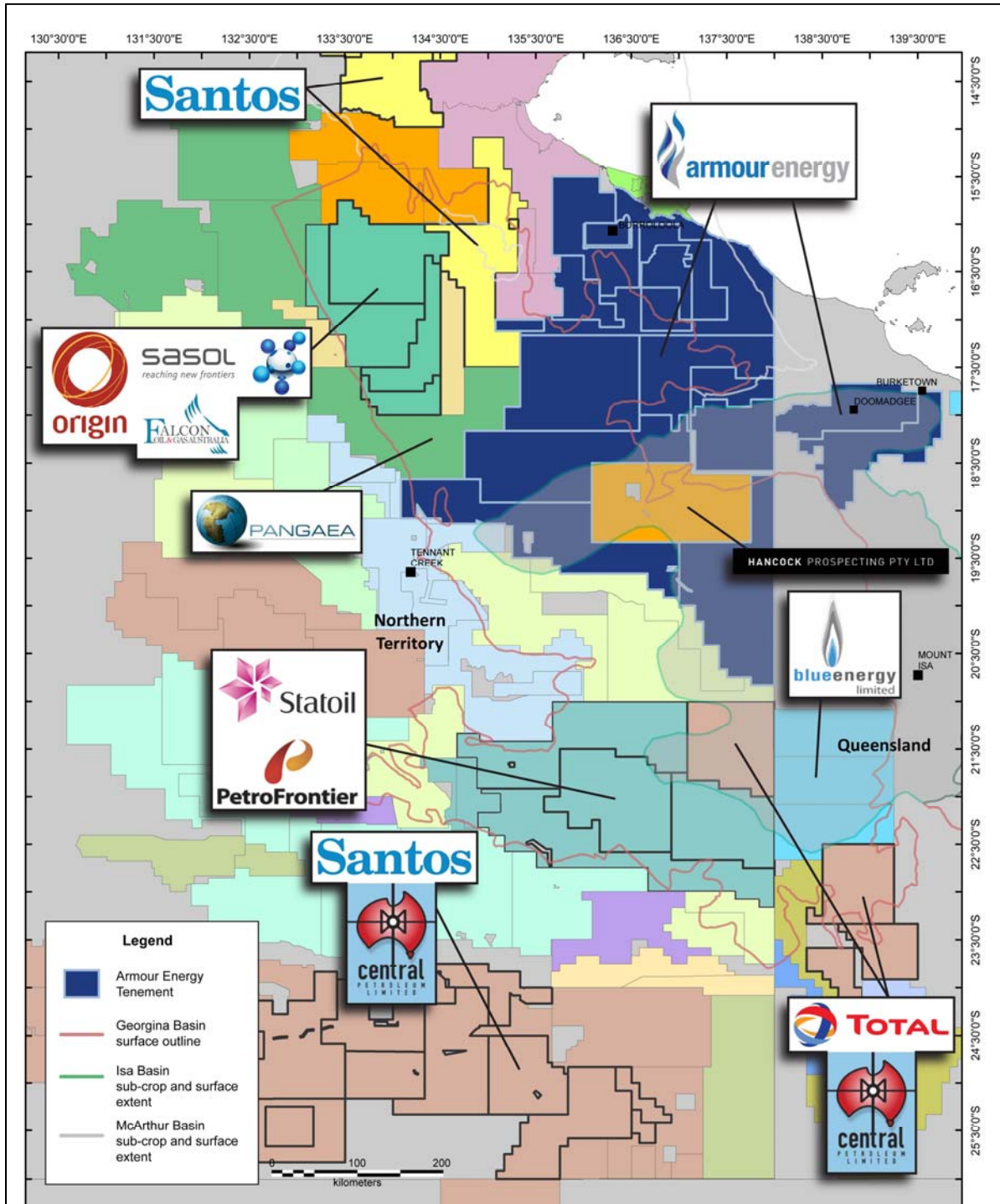


Figure 1: Map showing Armour Tenements and Regional Tenement Holders

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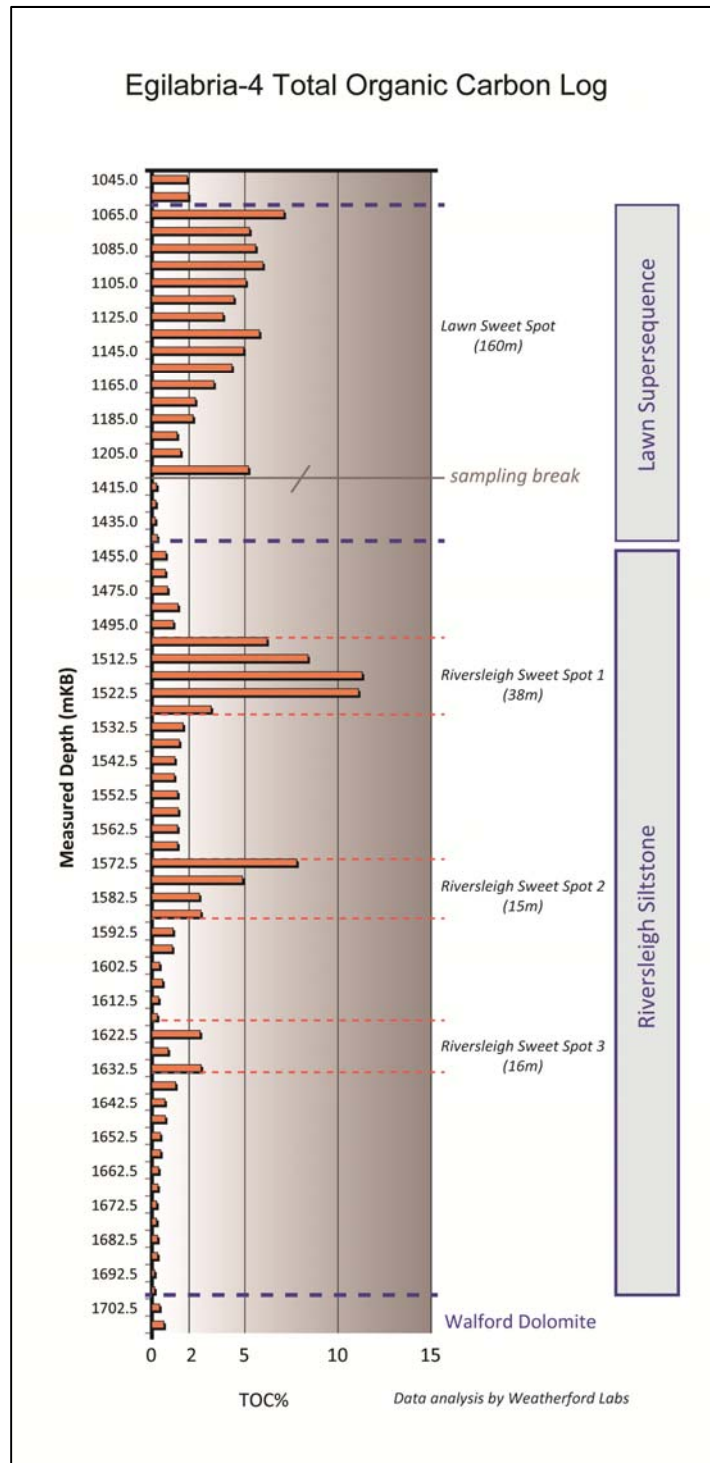


Figure 2: Egilabria 4 TOC Log

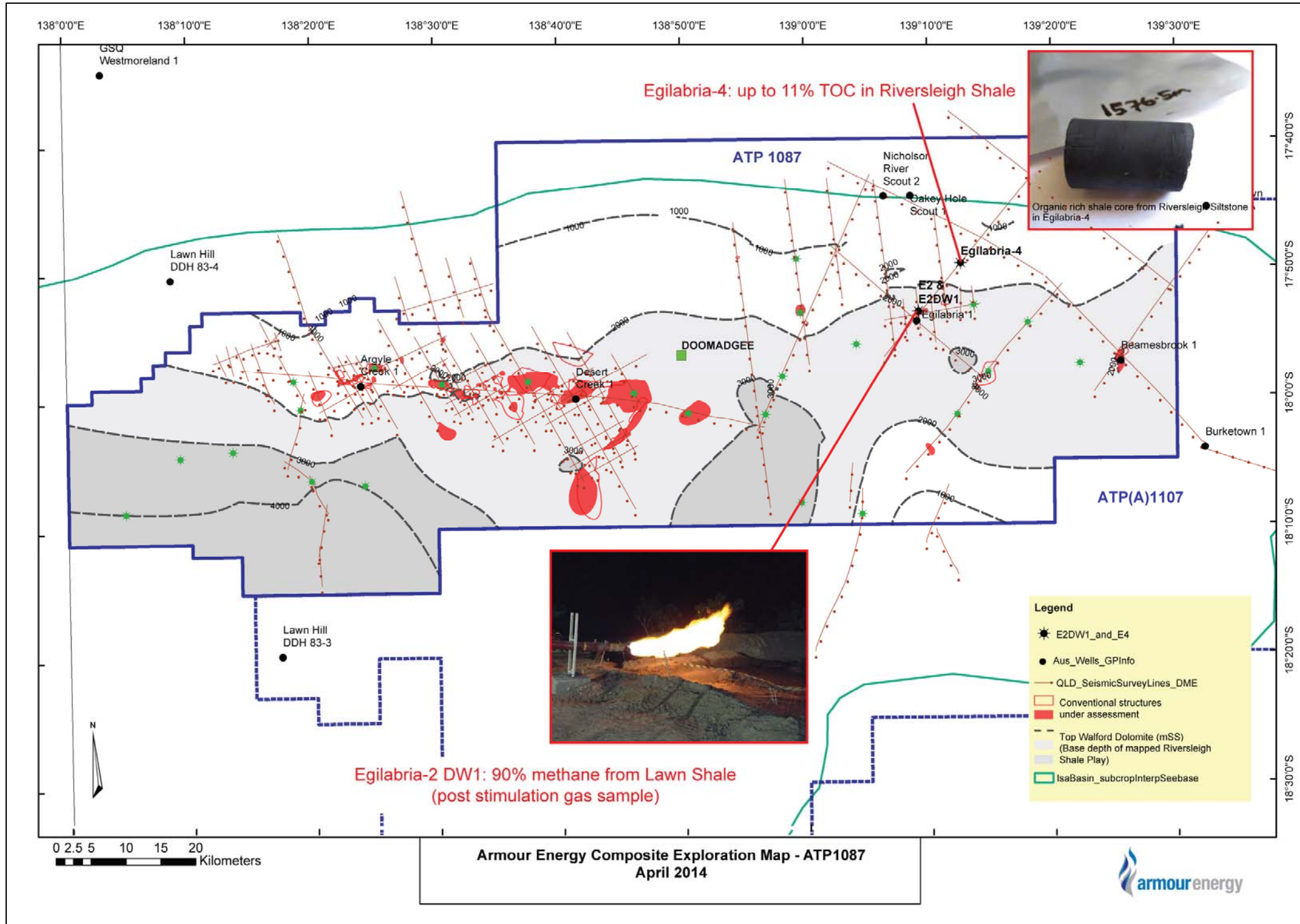


Figure 3: Map of ATP1087



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About Armour Energy

Armour Energy is focused on the discovery and development of world class gas and associated liquids resources in an extensive and recently recognised hydrocarbon province in northern Australia. This region has only recently had its shale potential identified by Armour Energy. The domestic and global demand for gas, combined with the new shale extractive technologies and experienced personnel, provides Armour with an extraordinary opportunity to define and ultimately develop a new liquids rich gas province.

Armour Energy's permit areas are characterised by low population densities, cooperative stakeholders and aspects of the natural environment suited to the exploration and development of a future gas and liquids province. Armour places considerable importance on close liaison with traditional owners and all stakeholders. Armour Energy is focusing on the exploration of the McArthur, South Nicholson and Georgina Basins in the Northern Territory and Queensland, and in the onshore Gippsland Basin in Victoria in joint venture with Lakes Oil, for gas and associated petroleum liquids.

Further information regarding Armour Energy Limited is available on Armour's website at www.armourenergy.com.au

The resource estimates used in this announcement were, where indicated, compiled by MBA Petroleum Consultants, and detailed in the Independent Expert's Report, Replacement Prospectus dated 20 March 2012 for Armour Energy (Chapter 9), and remain unchanged. Raymond L Johnson Jr., Reservoir Development Advisor for Armour Energy, who is an SPE member, qualified in accordance with the requirements of ASX listing rule 5.42, has consented to the use of the resource figures in the form and context in which they appear in this announcement.